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Chairman: Mr. Ahounou (Vice-Chairman) ..... (Côte d'Ivoire)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Mselle

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In the absence of Mr. Abelian (Armenia), Mr. Ahounou (Côte d'Ivoire), Vice-Chairman, took the Chair.

The meeting was called to order at 3 p.m.

Agenda item 112: Review of the efficiency of the administrative and financial functioning of the United Nations *(continued)*

Thematic reports of the Office of Internal Oversight Services (A/51/933, A/52/575, A/52/339 and Add.1, A/52/776, A/52/777, A/52/821, A/52/1010 and A/53/467)

1. **Mr. Paschke** (Under Secretary-General for Internal Oversight Services), introducing three reports of the Office of Internal Oversight Services (OIOS) (A/52/1010, A/52/1020 and A/53/467), said that the report of OIOS on the inquiry into allegations of insufficient use of expertise in procurement planning of aviation services in peacekeeping missions (A/52/1010) had been prepared in response to the request made by the General Assembly in its resolution 51/231 of 13 June 1997. The Assembly had made its request following the report of the Board of Auditors (A/51/5) which had noted that United Nations funds had been expended on services not rendered by aviation vendors in several peacekeeping missions during the biennium 1994–1995.

2. OIOS had conducted a review which had revealed that the concerns expressed by the General Assembly over such expenditures had been well founded. However, the investigation had also revealed that the Field Administration and Logistics Division (FALD) of the Department of Peacekeeping Operations (DPKO) had already taken significant corrective actions to protect the United Nations from such practices in the future. Based on the documentary searches which it had carried out and the testimonial evidence it had obtained, OIOS had concluded that the problem had been caused by several factors, none of which involved the individual culpability of United Nations staff members for mismanagement or intentional waste of United Nations resources.

3. The early 1990s had been a period of rapid expansion in United Nations peacekeeping operations, which had placed enormous demands on the Field Operations Division, the predecessor of FALD, in terms of adequately managing the operations of those new missions, including the recruitment of suitably qualified and experienced United Nations staff to manage aviation operations in the field, which at one time had involved approximately 140 aircraft.

4. It was clear that the payments to vendors for contract aviation hours not flown in peacekeeping missions during the biennium 1994–1995 had been made because of several mitigating factors, such as the rapid and vast expansion of peacekeeping operations, unpredictable mandate and budget periods, slow responses to requests for resources, and a lack of suitably qualified staff with the organizational experience to handle the growth of peacekeeping operations.

5. Given those factors, plus the fact that the United Nations was operating in hazardous and remote locations, it was understandable that some overestimation of required block hours in the planning of aviation activities would occur, especially when aviation sections in the field were required to respond to requests for emergency medical evacuations. As a result, the missions' operational plans, where they existed, were deficient. FALD had been notified through audit observations and internally of the lack of a team of experienced aviation personnel to coordinate, plan and manage aviation activities in the period leading up to and including the biennium 1994–1995, and corrective measures had been taken beginning in 1994.

6. It was also clear that until 1997 the United Nations had staffed neither its Headquarters nor its missions with sufficient personnel of suitable backgrounds to handle the intricacies and the volume of activities that the planning and management of air operations required. While FALD had made strenuous efforts to address the problem of staff shortages, the issue must continue to be addressed in order to ensure that adequate resources were deployed.

7. Without tight oversight of such activities by Headquarters, however, wastage in the missions could occur again. Based on the available data and on the observations of OIOS, measures appeared to have been implemented to rectify the problems. In document A/52/1010 (paras. 39 to 50), OIOS had made a number of recommendations, which were intended mainly for DPKO and FALD and were aimed at improving the management of air transport operations for peacekeeping missions.

8. The report of OIOS on the audit of the commercial insurance programmes (A/52/1020) had been prepared at the request of the General Assembly contained in Assembly decision 51/468 B. The report dealt with the review of four major insurance policies covering Headquarters property, foreign property (in four separate locations), aviation liability, and demining liability. Total premiums for those policies had amounted to more than $1 million in 1997. OIOS had also reviewed the administration and financing of the Headquarters liability self-insurance programme and those policies which had been taken out by the United

Nations Offices at Geneva, Vienna and Nairobi, as well as by the Economic and Social Commission for Asia and the Pacific and the International Criminal Tribunals. Premiums for those policies had totalled approximately $340,000 in 1997.

9. The Office of Internal Oversight Services believed that the Organization required a more cohesive, clearly defined approach to risk management. The review had shown that the Department of Management relied too heavily on its external brokers. OIOS was not convinced that the Organization's package of risks was always accurately and competitively presented to underwriters. Insurance had frequently been taken out in an ad hoc manner and the function of risk management had not been adequately assumed. Some of those shortcomings could be attributed to the fact that the Insurance Section was inappropriately structured and under-resourced.

10. With respect to the various specific insurance policies, OIOS had found that risks had not been assessed for the foreign property and demining liability policies.

11. While an inspection of the new $106 million Conference Centre in Addis Ababa had apparently been conducted, neither the Insurance Section nor the broker had been informed of the outcome of the inspection or of the recommendations made by the underwriter. Moreover, there had been limitations in the competitive bidding process for establishing and renewing foreign property coverage and there was no methodology for determining the insurable value of assets. The foreign property policy had been limited to United Nations premises in Addis Ababa, Beirut and Santiago de Chile. Little guidance had been provided to offices away from Headquarters and standardized coverage criteria did not exist. Lastly, an assessment of the self-insurance fund was necessary with a view to freezing or reducing the annual allocation of $200,000 from the regular budget.

12. The Department of Management had agreed to implement a number of the recommendations of OIOS, particularly with regard to undertaking a comprehensive broker competition exercise prior to the combination of Headquarters and foreign property policies. Furthermore, relations with brokers would be based on binding contracts that specified service requirements. On the issue of establishing and verifying a valuation methodology for insurance purposes, the Department had agreed that its Facility Management Division needed to work in close consultation with the Insurance Section.

13. The Department of Management had pointed out that a very small office, with other major responsibilities, was handling the increasingly complex area of risk management. OIOS therefore recommended that the Department of Management should relocate the commercial insurance functions and place them under the authority of the Assistant Secretary-General for Central Support Services. OIOS also recommended the allocation of additional resources to those functions in order to foster a more proactive approach to risk management.

14. With regard to the report on the audit of the United Nations health insurance programme (A/53/467), prepared pursuant to General Assembly decision 51/468 B, he said that the health insurance programme had cost the Organization $148.1 million and the staff $103.6 million during the 1996–1997 biennium. The programme included eight health insurance plans, seven administered at Headquarters and the eighth at the United Nations Office at Geneva. Five of the seven plans administered at Headquarters covered staff based in New York.

15. It was the view of the OIOS that the current number of plans was excessive and should be reduced in order to facilitate their administration and control. The plans had different cost structures and also differed from one another in terms of the nature and extent of the benefits and services they provided. That gave the impression — a false one, according to the Department of Management — that some staff members received better benefits or services than others, depending on which health insurance plan they were enrolled in. The Department of Management concurred that there was a need to restructure the programme and reduce the number of plans, a task which might require the use of outside experts.

16. The five health insurance plans covering staff at Headquarters were administered by outside plan administrators whose fees were calculated on the basis of the quantity and dollar value of the reimbursement claims processed from participants. Aetna, the largest plan administrator, had been paid $2.7 million in 1997 alone. The Secretariat had not periodically verified the volume and dollar amount of reimbursement claims, which prevented the Organization from determining the accuracy or reasonableness of the fees charged by the plan administrators. The Department of Management concurred with that observation; however, it believed that only a specialized outside firm could carry out the necessary verification.

17. The audit had given rise to other observations concerning the contracts concluded between the United Nations and the plan administrators; the manner in which the health insurance programme's assets, liabilities, income and

expenditure were reported in the Organization's financial statements; the financing of the after-service health insurance programme; and the administration of the medical insurance plan covering locally recruited General Service staff in the field. Based on those observations, OIOS had formulated a number of recommendations (see A/53/467, para. 50).

18. **Mr. Repasch** (United States of America) thanked OIOS for its efforts in investigating issues of fundamental importance in order to improve the Organization's management. It was to be hoped that the Secretariat would implement the Office's recommendations.

19. In view of the importance of some of the findings of the OIOS inquiry contained in the report on aviation services in peacekeeping missions (A/52/1010), he proposed that that report should also be considered under the items on reform of the procurement procedure and administrative and budgetary aspects of the financing of the United Nations peacekeeping operations.

20. **Mr. Yamagiwa** (Japan), referring to the report of OIOS on the Second United Nations Conference on Human Settlements (Habitat II) (A/52/821) which had been submitted to the Committee on 12 May 1998 at the resumed fifty-second session, said that no response had been received to any of the questions put by his delegation. He therefore felt obliged to reiterate them and to ask for a response to them when the Committee came to consider that report.

21. First, he asked for clarification as to the reasons why the Preparatory Committee for Habitat II had paid $30,000 in 1994 for a media consultant when that consultant had not been entitled to receive more than $12,000 a year since he was in receipt of a United Nations pension, and he asked who had taken that decision. He would also like to know whether the Preparatory Committee could do anything to obtain reimbursement of that sum and whether the Department of Management had made any progress in the implementation of the recommendations appearing in paragraph 57 of the report of OIOS.

22. Second, with regard to the annual leave taken by the Deputy Secretary-General of Habitat II during his missions (para. 27), he would like to know whether United Nations officials in general were entitled to take annual leave during official travel and, if so, whether senior officials had the authority to coordinate such leave.

23. **Mr. Paschke** (Under-Secretary-General for the Office of Internal Oversight Services) said that he could not reply to the substantive questions put by the delegation of Japan since it was not for OIOS but for the Administration to reply. However, he knew that a special team had been sent from Headquarters to Habitat and that it had submitted a provisional report to the Department of Management concerning the questions raised by the delegation of Japan and the financial performance of Habitat.

Agenda item 165: Joint Inspection Unit (A/51/34, A/51/559 and Corr.1; A/52/34, A/52/206 and A/52/267; A/53/180)

24. **Mr. Mezzalama** (Chairman of the Joint Inspection Unit) said that, as explained in its note (A/53/180), the Joint Inspection Unit (JIU) had decided to revert to its previous January to December cycle for its annual report and its programme of work since experience had proved that the July to June cycle had brought no significant improvement in synchronization with the calendars of meetings of the legislative organs. Furthermore, the January to December cycle coincided with the cycle of its biennial programme budget.

25. With regard to the improvement in the functioning of the Unit in the context of shared responsibility, as laid down in General Assembly resolution 50/233, he said that in that resolution the General Assembly had encouraged the Unit to continue to take the necessary steps to achieve a punctual and systematic follow-up of its recommendations as approved by the legislative organs of participating organizations. The follow-up of the Unit's recommendations was a shared responsibility between JIU, the secretariats and the legislative organs of the participating organizations. For that reason, in its annual report for 1996 (A/51/34), JIU had proposed a system to facilitate the follow-up on its reports. The General Assembly had not yet been able to act on that proposal and the work of the Unit had consequently been affected. The legislative organs of some of the participating organizations, such as the International Labour Organization (ILO), were waiting for the General Assembly to provide guidance. The Unit again appealed to the Fifth Committee to take action on the proposal.

26. Lastly, he drew attention to the issues requiring urgent action by the General Assembly in order to improve the functioning of JIU. Those issues were: the process of selection of qualified inspectors, the administrative and budgetary independence of the Unit, reporting procedures, and leadership. The Unit hoped that the current efforts to adopt a comprehensive approach to oversight questions would allow a renewed discussion which would lead to concrete results.

27. **Mr. Schlesinger** (Austria), speaking on behalf of the European Union, said it was understandable that the Joint Inspection Unit should want the General Assembly to

consider its programme of work and to take a decision on its proposals, in particular the proposal concerning the system for following up its recommendations. At the previous session the Committee had encountered difficulties in considering the report and had decided to defer its consideration until the current session. The European Union was prepared to consider the question in informal consultations so that the Unit could develop a follow-up system which would enable it to monitor the implementation of its recommendations.

28. **Mr. Repasch** (United States of America) asked whether the fact that the General Assembly had not taken a decision concerning the proposed programme of work of JIU had affected the Unit's work.

29. **Mr. Mezzalama** (Chairman of the Joint Inspection Unit) said that a difficult situation would be created if JIU did not receive a response from the General Assembly on its programme of work, since the Unit would be deprived of the guidance and encouragement of the Member States, which were the beneficiaries of its work. The fact that the General Assembly had not provided any guidance on some of the major proposals put forward by JIU, in particular the proposal relating to the follow-up system, was a problem that required an urgent solution. The Unit had already submitted its annual report for 1998, but the General Assembly had not yet considered it, nor had it approved the reports for 1996 and 1997.

30. **Ms. Emerson** (Portugal) pointed out that, at the fifty-second session, her delegation had proposed that JIU should examine the management and administration of the United Nations Office at Geneva, since the Unit had its headquarters in that city.

31. **Mr. Mezzalama** (Chairman of the Joint Inspection Unit) said that JIU had begun its examination of the organizations with headquarters in Geneva and that it would conclude a study on the management and administration of ILO by the end of the year. Furthermore, the Unit had issued a report on common services at Headquarters — in New York — and had just issued another report on common services in Geneva. The third report on that subject would be on the United Nations Office at Vienna. All Member States would then have a complete picture of a question which the Secretary-General, in his report on United Nations reform, had considered a priority.

32. It should be noted, however, that the topics examined by JIU were either proposed by the participating organizations or were selected by the Unit itself. He therefore took note of the proposal that JIU should examine the management of the United Nations Office at Geneva, which would be taken into account in the preparation of the future work programme.

The meeting rose at 4 p.m.